

Department of Insurance

Analyst: Bybee

Historical Summary

OPERATING BUDGET	FY 2008 Total App	FY 2008 Actual	FY 2009 Approp	FY 2010 Request	FY 2010 Gov Rec
BY PROGRAM					
Insurance Regulation	6,239,100	5,963,000	6,644,700	6,693,100	6,451,600
State Fire Marshal	1,080,500	991,200	1,080,300	1,110,900	1,077,900
Total:	7,319,600	6,954,200	7,725,000	7,804,000	7,529,500
BY FUND CATEGORY					
Dedicated	7,074,600	6,548,400	7,475,500	7,548,800	7,280,300
Federal	245,000	405,800	249,500	255,200	249,200
Total:	7,319,600	6,954,200	7,725,000	7,804,000	7,529,500
Percent Change:		(5.0%)	11.1%	1.0%	(2.5%)
BY OBJECT OF EXPENDITURE					
Personnel Costs	4,624,900	4,489,900	4,875,600	5,007,200	4,809,700
Operating Expenditures	2,502,900	2,183,400	2,692,400	2,654,700	2,619,400
Capital Outlay	183,800	112,100	149,000	133,500	92,400
Trustee/Benefit	8,000	168,800	8,000	8,600	8,000
Total:	7,319,600	6,954,200	7,725,000	7,804,000	7,529,500
Full-Time Positions (FTP)	73.00	73.00	75.00	75.00	75.00

Department Description

The mission of the Department of Insurance is to equitably, effectively and efficiently administer the Idaho Insurance Code and the International Fire Code. The department fulfills its mission and duties through three regulatory bureaus and an administrative group consisting of the director's office and supporting services.

Company Activities Bureau: This bureau monitors the financial condition of all insurance entities conducting business in the state of Idaho to ensure that each complies with Idaho law and that the financial obligations of the company to its policyholders will be met. The bureau also reviews insurance policy rates and forms, and collects and audits all insurance premium tax and fee returns.

Consumer Services Bureau: This bureau licenses and administers continuing education programs for insurance agents, brokers, insurance counselors, third party administrators, adjusters and managing general agents. The bureau analyzes consumer and industry complaints and provides assistance to consumers, the insurance industry and other law enforcement agencies on matters involving insurance contracts and potential violations of the Insurance Code. Information, counseling and assistance are provided to Idaho's senior citizens through a network of over 300 senior citizen volunteers and a toll-free 800 number.

State Fire Marshal: The State Fire Marshal's office participates in and coordinates an integrated statewide system designed to protect human life from fire and explosions through fire prevention and the investigation of fires. The program involves fire prevention activities, arson investigations, and the operation of various statistical systems, including the Idaho Fire Incident Reporting System.

Department of Insurance

Agency Profile

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PREMIUM TAX DISTRIBUTION

The Department of Insurance is responsible for administering and collecting a tax assessed on all insurance premiums. This tax collected from authorized insurers is in lieu of all other state and local taxes with the exception of real property tax §41-405, Idaho Code.

Revenue from the premium tax is distributed to the following funds:

Insurance Refund: Used to reimburse insurers for overpayment of taxes, fines, penalties, etc.

PERSI: §59-1304, Idaho Code provides that at least 50% of the gross tax on fire insurance premiums is used to partially fund the firefighter retirement system. Currently, 100% of the gross tax on fire insurance is used for this purpose.

High Risk Insurance Pool: If premium tax revenue exceeds \$45 million after all other deductions, 25% of the excess goes into the Individual High Risk Insurance Pool to pay the costs associated with providing health insurance coverage to high risk individuals regardless of health status or claims experience.

Idaho Health Insurance Access Card: If premium tax revenue exceeds \$55 million, 25% of the excess goes to the Idaho Health Insurance Access Card Fund, with 80% going to CHIP Plan B and the children's access card program, and 20% (not to exceed \$1.2 million) to the small business health insurance pilot program.

General Fund: The balance of the premium tax, fines and penalties are distributed to the General Fund.

DISTRIBUTION OF PREMIUM TAX REVENUES FY 2005 - FY 2008

	FY 2007	FY 2008	FY 2009*	FY 2010*
General Fund	\$59,617,500	\$56,054,600	\$55,090,100	\$53,000,100
Insurance Refund	\$6,213,100	\$7,629,300	\$5,712,100	\$6,221,400
Fireman's PERSI	\$3,827,800	\$3,834,600	\$4,280,000	\$4,408,400
Insurance Insolvency Fund	\$200	\$0	\$1,000	\$1,000
High Risk Insurance Pool	\$6,128,400	\$5,381,200	\$4,799,200	\$4,197,200
Access Card	\$3,628,500	\$2,881,200	\$2,299,200	\$1,697,200
Total (Premium Tax Receipts)	\$79,415,500	\$75,780,900	\$72,181,600	\$69,525,300

**Estimate based on projected revenues and expenses.*

NOTE: Distributions can exceed actual revenues slightly, depending on the amount of fees collected by the agency. Section 41-401(3)(e), Idaho Code provides that "at the beginning of each fiscal year, those moneys in the Insurance Administrative Account which exceed the current year's appropriation plus any residual encumbrances made against prior years' appropriations by twenty-five percent (25%) or more shall be transferred to the general [fund]."

Department of Insurance

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2009 Original Appropriation	75.00	0	7,725,000	75.00	0	7,725,000
Health Insurance Reduction	0.00	0	0	0.00	0	(37,000)
FY 2009 Total Appropriation	75.00	0	7,725,000	75.00	0	7,688,000
Noncognizable Funds and Transfers	0.00	0	183,600	0.00	0	183,600
FY 2009 Estimated Expenditures	75.00	0	7,908,600	75.00	0	7,871,600
Removal of One-Time Expenditures	0.00	0	(332,600)	0.00	0	(332,600)
Base Adjustments	0.00	0	(102,800)	0.00	0	(102,800)
FY 2010 Base	75.00	0	7,473,200	75.00	0	7,436,200
Benefit Costs	0.00	0	81,900	0.00	0	44,900
Inflationary Adjustments	0.00	0	37,200	0.00	0	1,300
Replacement Items	0.00	0	133,500	0.00	0	92,400
Statewide Cost Allocation	0.00	0	(45,300)	0.00	0	(45,300)
Change in Employee Compensation	0.00	0	123,500	0.00	0	0
FY 2010 Total	75.00	0	7,804,000	75.00	0	7,529,500
Change from Original Appropriation	0.00	0	79,000	0.00	0	(195,500)
% Change from Original Appropriation			1.0%			(2.5%)

Department of Insurance

Analyst: Bybee

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2009 Original Appropriation	75.00	0	7,475,500	249,500	7,725,000
Health Insurance Reduction					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends reducing the funding for health insurance by \$500 per FTP, using reserves to offset the increased costs of health insurance for the state for FY 2009 and FY 2010.</i>					
Governor's Recommendation	0.00	0	(37,000)	0	(37,000)
FY 2009 Total Appropriation					
Agency Request	75.00	0	7,475,500	249,500	7,725,000
Governor's Recommendation	75.00	0	7,438,500	249,500	7,688,000
Noncognizable Funds and Transfers					
Reflects a noncognizable increase in a federal grant for the Senior Health Insurance Benefits Advisors (SHIBA) program.					
Agency Request	0.00	0	0	183,600	183,600
Governor's Recommendation	0.00	0	0	183,600	183,600
FY 2009 Estimated Expenditures					
Agency Request	75.00	0	7,475,500	433,100	7,908,600
Governor's Recommendation	75.00	0	7,438,500	433,100	7,871,600
Removal of One-Time Expenditures					
Agency Request	0.00	0	(149,000)	(183,600)	(332,600)
Governor's Recommendation	0.00	0	(149,000)	(183,600)	(332,600)
Base Adjustments					
This base reduction of the Miscellaneous Revenue Fund is due to a diminished funding level from the Commission on the Aging. The funding level no longer sustains the Medicare Fraud and Abuse program that is part of SHIBA in southwest Idaho. The Department has assigned 1.0 FTP to the Regulatory Fund and will pay its associated personnel costs without increased spending authority. Additionally, this adjusts the federal appropriation by transferring \$13,000 from operating expenditures to personnel costs.					
Agency Request	0.00	0	(102,800)	0	(102,800)
Governor's Recommendation	0.00	0	(102,800)	0	(102,800)
FY 2010 Base					
Agency Request	75.00	0	7,223,700	249,500	7,473,200
Governor's Recommendation	75.00	0	7,186,700	249,500	7,436,200
Benefit Costs					
Provides \$900 per position, which equates to a 10.4% increase for employer-paid health insurance. Also, includes a 19% reduction in life and disability insurance rates from 1.1% to 0.9% of salary for eligible employees.					
Agency Request	0.00	0	81,900	0	81,900
<i>The Governor recommends providing an increase of \$400 per FTP and making changes to the health insurance benefits contract to meet expected costs. Including the rescission to reduce health insurance benefit costs in FY 2009 by \$500 per FTP, employer costs per FTP for FY 2010 will be \$8,600.</i>					
Governor's Recommendation	0.00	0	45,200	(300)	44,900
Inflationary Adjustments					
Inflationary increases are calculated using the ongoing base for operating expenditures and trustee & benefit payments multiplied by an agency-specific inflation factor. The inflationary adjustment reflects a 1.4% increase in total funds. The requested amount includes \$37,200 for general inflation.					
Agency Request	0.00	0	36,600	600	37,200
<i>The Governor recommends general inflation for fuel costs.</i>					
Governor's Recommendation	0.00	0	1,300	0	1,300

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
Replacement Items					
Includes \$30,800 for 28 personal computers; \$12,000 for ten laptops; \$9,000 for wireless switches; \$14,000 for routers; \$17,000 for server blades; \$32,000 for 12 printers; \$14,300 for two copiers; \$3,000 for two fax machines; and \$1,400 for a digital projector.					
Agency Request	0.00	0	133,500	0	133,500
<i>The Governor recommends 23 personal computers for \$25,300; eight notebook computers for \$9,600; two switches for \$4,000; four servers for \$17,000; six laser printers for \$17,500; one copier for \$12,000; one small copier for \$2,300; one laser printer for \$300; two fax machine for \$3,000; and one digital projector for \$1,400.</i>					
Governor's Recommendation	0.00	0	92,400	0	92,400
Statewide Cost Allocation					
The request includes adjustments to recover the costs of services provided to state agencies: a reduction of \$50,200 for Attorney General fees; \$4,100 for State Controller fees; \$800 for State Treasurer fees.					
Agency Request	0.00	0	(45,300)	0	(45,300)
Governor's Recommendation	0.00	0	(45,300)	0	(45,300)
Change in Employee Compensation					
Agencies were instructed to calculate a 3% salary increase in the appropriation request.					
Agency Request	0.00	0	118,400	5,100	123,500
<i>While increasing salaries of state workers continues to be a priority for the Governor, the current economic situation does not provide the funds to recommend an increase in FY 2010. When economic conditions improve, the Governor will once again seek to improve compensation for all state employees.</i>					
Governor's Recommendation	0.00	0	0	0	0
FY 2010 Total					
Agency Request	75.00	0	7,548,800	255,200	7,804,000
Governor's Recommendation	75.00	0	7,280,300	249,200	7,529,500
Agency Request					
Change from Original App	0.00	0	73,300	5,700	79,000
% Change from Original App	0.0%		1.0%	2.3%	1.0%
Governor's Recommendation					
Change from Original App	0.00	0	(195,200)	(300)	(195,500)
% Change from Original App	0.0%		(2.6%)	(0.1%)	(2.5%)